

# BERKLEY OIL *and* GAS LTD.

for the year ended September 30 **1965**

(with comparisons to September 30, 1964)

## HEAD OFFICE

Suite 402, 330 Ninth Avenue S.W., Calgary, Alberta.

## DIRECTORS

L. W. Lee                      W. R. Taprell

B. Margolus J. R. Wright

D. B. McDougall

all residents of Alberta

## OFFICERS

D. B. McDougall..... President

M. James..... Secretary-Treasurer

## TRANSFER AGENT

and REGISTRAR

The Canada Trust Company, Calgary, Alberta.

## AUDITORS

Christenson, Morrison & Co., Calgary, Alberta.

## BANKERS

The Royal Bank of Canada, Calgary, Alberta.

## COMPARATIVE HIGHLIGHTS

	September 30 1964	September 30 1965	Percentage Change
Gross Acreage .....	247,544	476,860	+ 92%
Net Acreage .....	109,300	114,827	+ 5%
Royalty Points .....	323	1,472	+356%
Net Oil Reserves .....	147,400	250,800	+ 70%
Net Gas Reserves .....	33,000 Mcf	142,000 Mcf	+330%
Working Capital .....	\$ 32,600	\$156,400	+380%

Note: 1 Royalty Point = 1% gross overriding royalty on one-quarter section of land.

Reserves for 1964 calculated by Dr. J. C. Sproule.

Reserves for 1965 calculated by the company's engineers.



## REPORT TO THE SHAREHOLDERS

Your directors are pleased to present the Company's Annual Report together with the audited Balance Sheet and Statement of Income for the year ended September 30, 1965.

Berkley Oil and Gas Ltd. was incorporated in May 1964. In January 1965 a public offering of treasury shares of the company was made which provided in total, through the original offering and optional shares, the sum of \$230,000 for corporate purposes.

During the 12 month period ending September 1965, Berkley had an interest in a total of 9 test wells resulting in 6 completed oil wells. Of these Berkley actively participated in the drilling of 4 wells which resulted in 3 producing oil wells and had various carried interests in 5 wells which resulted in 3 producing oil wells.

The Comparative Highlights on the preceding page statistically summarize the progress of the company in the last 12 month period. As may be seen the progress made by the company has been satisfactory in all respects.

It is planned during the next few months to continue the development drilling program on company properties as well as drill various wildcat structures. Both geologic and geophysical surveys are being conducted on your company's holdings. Eight (8) new drill sites have now been selected plus tentative sites for five (5) wells all on Berkley's land. Several other locations are presently under geologic consideration, all of which will ensure an active year for your company.

Berkley's 30,400 acre reservation in the Rainbow Area will shortly be explored by a geophysical survey which will be concentrated on the geological structure already found. In addition, land on the Keg River reef play in Northern Alberta on which Berkley has a royalty interest will be explored by several major oil companies this winter. Negotiations are currently underway with other companies for joint development on several of the company's oil and gas holdings.

Berkley has very recently acquired a 50% interest in over 36,000 acres in the Flat Lake-Tawatina Area. Trans Canada Pipeline Ltd. has announced plans to construct a large diameter pipeline from this general area and has already agreed to purchase 3 trillion cubic feet of gas from other companies. The estimated cost of this line is reported to be \$100 million. An early and successful development of Berkley's properties is hoped for in order to capitalize on this market.

The expressed continued confidence of all the shareholders is sincerely appreciated and continued success during the coming year is anticipated.

D. B. McDougall  
President.

November 15, 1965.



**BERKLEY OIL AND GAS LTD.**  
(Incorporated under the laws of Alberta)

**BALANCE SHEET**

September 30, 1965

(With comparative figures for 1964)

ASSETS		1965	1964	LIABILITIES		1965	1964
Current Assets:				Current Liability:			
Cash		\$ 57,846	\$ 28,498	Accounts payable and advances		\$ 25,781	\$ 16,042
Accounts receivable		3,242	2,883				
Accrued interest receivable		1,073	—	Shareholders' Equity:			
Demand notes and bonds, at cost		101,530	—	Share Capital:			
Prepaid expenses		4,579	1,005	Authorized:			
Deposits		13,953	16,250	4,000,000 Common shares of no par value			
				Issued: (Notes "2" and "4")			
		\$182,223	\$ 48,636	September 30, 1964 - 1,038,000 shares		—	\$162,000
Capital Assets, at cost:				September 30, 1965 - 1,688,000 shares		\$392,000	—
Lease and royalty interests		\$ 56,686	\$ 60,663				
Well costs		88,889	42,851	Consideration for sale of warrants (Note "3")		\$ 300	\$ —
Well and battery equipment		38,090	20,977	Deficit:			
		\$183,665	\$124,491	Balance, beginning of year		\$ (1,025)	\$ —
Less Accumulated depletion, amortization				Net loss (Exhibit "B")		(72,028)	(1,025)
and depreciation (Note "1")		30,878	3,628				
		\$152,787	\$120,863	Balance, end of year		\$ (73,053)	\$ (1,025)
Organization cost		10,018	7,518			\$319,247	\$160,975
		\$345,028	\$177,017			\$345,028	\$177,017

APPROVED ON BEHALF OF THE BOARD:

D. B. McDOUGALL, Director.  
J. R. WRIGHT, Director

**AUDITORS' REPORT**

The accompanying notes are an integral part of these financial statements.

To the Shareholders of  
Berkley Oil and Gas Ltd.

We have examined the balance sheet of BERKLEY OIL AND GAS LTD. at September 30, 1965 and the related statement of income for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and the related statement of income are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at September 30, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CALGARY, Alberta  
November 23, 1965.

CHRISTENSON, MORRISON & CO.  
Chartered Accountants.



# BERKLEY OIL AND GAS LTD.

## NOTES TO FINANCIAL STATEMENTS

September 30, 1965

Note "1" Depletion of oil and gas leases and amortization of well costs are calculated on the basis of total production to date per lease or area, as applicable, prorated to reserve estimates.

Note "2" Outstanding at the balance sheet date were options granted to an underwriter to acquire additional shares as follows:

on or before October 29, 1965	150,000 shares
@ 50¢	
on or before January 27, 1966	150,000 shares
@ 65¢	

The option dated October 29, 1965 was not exercised, and therefore it and the subsequent option have expired.

Note "3" Outstanding at the balance sheet date were 130,000 share warrants, each warrant entitling the holder thereof to purchase one common share of the company for 50¢ to June 30, 1966; for 65¢ to June 30, 1967; for 80¢ to June 30, 1968; and for \$1.00 to June 30, 1969.

Note "4" The following shares of capital stock were issued during the year ended:

September 30, 1964:	
738,000 for oil interests	\$ 87,000
300,000 for cash @ 25¢	75,000
	<u>\$162,000</u>
September 30, 1965 (for cash):	
500,000 @ 34¢	\$170,000
150,000 @ 40¢	60,000
	<u>\$230,000</u>

# BERKLEY OIL AND GAS LTD.

## STATEMENT OF INCOME

Year ended September 30, 1965

(With figures for the five months ended September 30, 1964)

	1965	1964
Income:		
Oil sales	\$ 46,489	\$ 8,711
Royalties	4,091	1,129
	<u>\$ 50,580</u>	<u>\$ 9,840</u>
Less Production expenses:		
Well operations	\$ 13,414	\$ 1,609
Royalties	9,849	1,842
	<u>\$ 23,263</u>	<u>\$ 3,451</u>
Gross oil income	\$ 27,317	\$ 6,389
Add: Well operating and administrative income	\$ 1,622	—
Gain on sale of capital assets	10,931	—
Interest	3,165	—
Other	41	—
	<u>\$ 15,759</u>	<u>—</u>
	<u>\$ 43,076</u>	<u>\$ 6,389</u>
Deduct: Administrative expenses	\$ 49,870	\$ 3,491
Lease rentals	16,917	295
	<u>\$ 66,787</u>	<u>\$ 3,786</u>
Net income (loss) before undernoted items	<u>\$ (23,711)</u>	<u>\$ 2,603</u>
Deduct: Depletion of lease interests	\$ 1,255	\$ 123
Amortization of well costs	19,591	887
Depreciation of equipment	9,822	2,618
Cost of dry holes and leases abandoned	17,649	—
	<u>\$ 48,317</u>	<u>\$ 3,628</u>
Net loss (to Exhibit "A")	<u>\$ 72,028</u>	<u>\$ 1,025</u>